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CVR no. 20 22 26 70

**SGM LIGHT A/S**  
**SOMMERVEJ 23, 8210 AARHUS V**  
**ANNUAL REPORT**  
**1 JANUARY - 31 DECEMBER 2022**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 29 March 2023**

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**Paolo Covre**

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**COMPANY DETAILS**

<b>Company</b>	SGM Light A/S Sommervej 23 8210 Aarhus V
	CVR No.: 37 21 91 69 Established: 10 November 2015 Municipality: Aarhus Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Paolo Covre, chairman Massimo Covre Filippo Bortolini
<b>Executive Board</b>	Ulrik Jakobsen
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Kolding Åpark 8A, 7. sal 6000 Kolding

## MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of SGM Light A/S for the financial year 1 January - 31 December 2022.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Pordenone, 29 March 2023

Executive Board

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Ulrik Jakobsen

Board of Directors

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Paolo Covre  
Chairman

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Massimo Covre

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Filippo Bortolini

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SGM Light A/S

### Opinion

We have audited the Financial Statements of SGM Light A/S for the financial year 1 January - 31 December 2022, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

## INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on Management Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management Commentary and, in doing so, consider whether Management Commentary is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management Commentary is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management Commentary.

Kolding, 29 March 2023

BDO Statsautoriseret revisionsaktieselskab  
CVR no. 20 22 26 70

Jørn Holm  
State Authorised Public Accountant  
MNE no. mne35808

**FINANCIAL HIGHLIGHTS**

	2022	2021	2020	2019	2018
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Income statement</b>					
Gross profit/loss.....	5.618	2.950	1.285	6.528	6.848
Operating profit/loss of main activities...	2.128	223	-3.482	1.059	1.187
Financial income and expenses, net.....	-957	-701	-910	-584	-770
Profit/loss for the year.....	462	-256	-3.425	411	326
<b>Balance sheet</b>					
Total assets.....	13.755	11.890	13.597	14.841	12.645
Equity.....	1.054	578	816	4.240	3.814
Investment in property, plant and equipment.....	-37	-74	108	558	-610
<b>Key ratios</b>					
Solvency ratio.....	7.7	4.9	6.0	28.6	30.2
Return on equity.....	56.6	-36.7	-135.5	10.2	8.9
Solvency ratio incl. subordinate loan.....	22.0	21.7	18.6	42.0	46.0

The ratios stated in the list of key figures and ratios have been calculated as follows:

Solvency ratio:	$\frac{\text{Equity, at year-end} \times 100}{\text{Total assets, at year-end}}$
Return on equity:	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$
Solvency ratio incl. subordinate loan	$\frac{(\text{Equity at year end} + \text{subordinate loan}) \times 100}{\text{Total assets at year end}}$

## MANAGEMENT COMMENTARY

### Principal activities

The Company's key activities comprise the development and sale of professional lighting products based on advanced LED technology for the entertainment lighting and the architectural lighting business.

The Company is represented globally and sells its products to more than 50 countries.

### Unusual matters

During the financial year, the company has experienced challenges related to the worldwide component crisis, which has caused challenges in the company's supply chain, and effected gross margin negative.

Apart from the above, the financial position at 31st of December 2022 of the Company and the results of the activities of the Company for the financial year for 2022 have not been affected by any unusual events.

### Recognition and measurement uncertainty

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

### Development in activities and financial and economic position

The income statement of the Company for 2022 shows a profit of EUR ('000) 462 and at 31 December 2022 the balance sheet of the Company shows equity of EUR ('000) 1,054.

Management considers profit for the year satisfactory in the current market and circumstances.

### Profit/loss for the year compared to the expected development

Management expected in previous years financial statement, that 2022 would be a year with a continued growth as well as a more normalized market situation. The market situation began in the end of 2021 to stabilize, and the Company has experienced significant growth during 2022 resulting in a profit of the year that exceeds the Management's approved budget for 2022.

### Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the Company's financial position.

### Financial risk

The company has extensive sales and purchasing activities in foreign currency. Changes in currencies other than Euro will affect the operation.

Consequently, the company has a risk exposure to changes in exchange rates and in the creditworthiness of customers.

The company does not use derivative financial instruments to manage currency risks.

The company's granting of credit to customers follows standard conditions, and the company insures the majority of its account receivables.

### Environmental situation

The Company's energy consumption and general impact on the environment and climate are not considered to constitute a significant risk, but the Company is strongly focussed on this and devoting its efforts to contributing to the green transition.

The company consider that it contributes positively to environmental conditions, as a result of the development of energy-saving LED solutions.

### Knowledge resources

The company is focusing on the need to be able to attract, develop and retain employees with the right level of competence.

The company's business basis includes, as a derivative area to the company's primary activity of



## MANAGEMENT COMMENTARY

### **Knowledge resources (continued)**

production and sale of products, being able to deliver functional and innovative products. This places particularly high demands on the knowledge resources regarding employees and business processes.

In order to be able to continuously deliver these solutions, it is crucial that the company can recruit and retain employees, both employees with a high level of education and employees with a technical experience base.

The essential business processes regarding the company's main products are service, quality and individual solutions for customers. To ensure that the customer receives the agreed service, the company measures compliance with delivery times and the number of customer complaints, which are essential benchmarks for the company.

### **Research and development activities**

The Company incurs costs on a regular basis for further development of existing products, and significant costs on new projects.

The development activities primarily include the development of new products for the company's product portfolio. A total of EUR ('000) 837 was used in the financial year for development activities. Of the incurred development costs, EUR ('000) 681, recognized under intangible fixed assets, while the other EUR ('000) 156 are recognized in the income statement, as they partly relate to ongoing small improvements to production and partly relate to development projects that will not be used. Development activities at the same level are expected to be carried out in the coming financial year.

### **Future expectations**

Management expects in 2023 to be able to maintain the current sales level as realized in 2022, and it is the management's expectation that the result before tax will be in the range of EUR ('000) 300 - 600.

## INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2022 EUR	2021 EUR '000
<b>GROSS PROFIT</b> .....	1, 2	<b>5.617.889</b>	<b>2.950</b>
Distribution costs.....		-760.601	-241
Administrative expenses.....	1	-2.729.435	-2.442
<b>OPERATING PROFIT</b> .....		<b>2.127.853</b>	<b>267</b>
Other operating expenses.....		0	-44
<b>OPERATING PROFIT</b> .....		<b>2.127.853</b>	<b>223</b>
Income from investments in subsidiaries and associates.....		-393.529	77
Financial expenses.....	3	-956.545	-701
<b>PROFIT BEFORE TAX</b> .....		<b>777.779</b>	<b>-401</b>
Tax on profit/loss for the year.....	4	-315.857	145
<b>PROFIT FOR THE YEAR</b> .....	5	<b>461.922</b>	<b>-256</b>

## BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2022 EUR	2021 EUR '000
Development projects completed.....		2.415.987	2.446
Intangible fixed assets acquired.....		39.934	60
Development projects in progress.....		412.593	249
<b>Intangible assets.....</b>	<b>6</b>	<b>2.868.514</b>	<b>2.755</b>
Other plant, machinery tools and equipment.....		335.729	551
Leasehold improvements.....		42.454	47
<b>Property, plant and equipment.....</b>	<b>7</b>	<b>378.183</b>	<b>598</b>
Equity investments in group enterprises.....		0	0
Equity investments in associated enterprises.....		475.900	528
Rent deposit and other receivables.....		176.635	163
<b>Financial non-current assets.....</b>	<b>8</b>	<b>652.535</b>	<b>691</b>
<b>NON-CURRENT ASSETS.....</b>		<b>3.899.232</b>	<b>4.044</b>
Raw materials and consumables.....		4.109.429	3.192
Work in progress.....		747.836	536
Finished goods and goods for resale.....		2.481.695	2.348
Prepayments.....		739.694	688
<b>Inventories.....</b>		<b>8.078.654</b>	<b>6.764</b>
Deferred tax assets.....	9	86.128	316
Other receivables.....		144.552	87
Corporation tax receivable.....		8.790	231
Joint tax contribution receivable.....		83.926	34
Prepayments.....	10	146.331	110
<b>Receivables.....</b>	<b>11</b>	<b>469.727</b>	<b>778</b>
<b>Cash and cash equivalents.....</b>		<b>1.307.505</b>	<b>304</b>
<b>CURRENT ASSETS.....</b>		<b>9.855.886</b>	<b>7.846</b>
<b>ASSETS.....</b>		<b>13.755.118</b>	<b>11.890</b>

**BALANCE SHEET AT 31 DECEMBER**

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>2022 EUR</b>	<b>2021 EUR '000</b>
Share capital.....	12	2.000.000	2.000
Reserve for net revaluation under the equity method.....		102.324	206
Reserve for development costs.....		2.206.292	2.102
Retained earnings.....		-3.254.995	-3.730
<b>EQUITY.....</b>		<b>1.053.621</b>	<b>578</b>
Other provisions.....	13	335.140	351
Provisions for equity investments in group enterprises.....		677.030	254
<b>PROVISIONS.....</b>		<b>1.012.170</b>	<b>605</b>
Subordinate loan capital.....		2.000.000	2.000
Lease liabilities.....		59.398	95
Payables to group enterprises.....		1.900.000	1.900
Other non-current liabilities.....		0	179
Frozen holiday pay.....		544.490	532
<b>Non-current liabilities.....</b>	<b>14</b>	<b>4.503.888</b>	<b>4.706</b>
Bank debt.....		3.113.742	2.501
Lease liabilities.....		35.141	55
Trade payables.....		1.214.258	1.270
Debt to Group companies.....		1.888.062	1.605
Debt to associated enterprises.....		0	1
Other liabilities.....		934.236	569
<b>Current liabilities.....</b>		<b>7.185.439</b>	<b>6.001</b>
<b>LIABILITIES.....</b>		<b>11.689.327</b>	<b>10.707</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>13.755.118</b>	<b>11.890</b>
Contingencies etc.	15		
Charges and securities	16		
Related parties	17		
Consolidated Financial Statements	18		

## EQUITY

	Share capital	Reserve for net revaluati- on under the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2022.....	2.000.000	188.527	2.102.077	-3.713.485	577.119
Proposed profit allocation, 5.....		-393.691		855.613	461.922
<b>Other legal bindings</b>					
Foreign exchange adjustments.....		14.391		189	14.580
Other adjustments to equity value.....		423.148		-423.148	0
Revaluations in the year.....			104.215	-104.215	0
<b>Transfers</b>					
Receiv./decl. dividend.....		-130.051		130.051	0
<b>Equity at 31 December 2022.....</b>	<b>2.000.000</b>	<b>102.324</b>	<b>2.206.292</b>	<b>-3.254.995</b>	<b>1.053.621</b>

## NOTES

	2022 EUR	2021 EUR '000	Note
<b>Staff costs</b>			<b>1</b>
Average number of employees	60	40	
Wages and salaries.....	3.309.731	2.598	
Pensions.....	284.478	208	
Social security costs.....	56.417	51	
Other staff costs.....	78.581	39	
	<b>3.729.207</b>	<b>2.896</b>	
Remuneration to management and the board is not provided with reference to the Danish Financial Statements Act § 98b, 3, 2.			
<b>Special items</b>			<b>2</b>
The company has received compensations in connection with the Danish state's COVID-19 compensation packages. The amounts listed below is recognized in "Gross profit/Other operating income".			
	2022 EUR	2021 EUR '000	
COVID-19 compensation, fixed cost.....	201.623	1.150	
	<b>201.623</b>	<b>1.150</b>	
<b>Financial expenses</b>			<b>3</b>
Group enterprises.....	742.596	580	
Other interest expenses.....	213.949	121	
	<b>956.545</b>	<b>701</b>	
<b>Tax on profit/loss for the year</b>			<b>4</b>
Calculated tax on taxable income of the year.....	-83.891	-33	
Adjustment of tax for previous years.....	54.135	-6	
Adjustment of deferred tax.....	345.613	-106	
	<b>315.857</b>	<b>-145</b>	
<b>Proposed distribution of profit</b>			<b>5</b>
Allocation to reserve for net revaluation under the equity method.....	-393.691	131	
Retained earnings.....	855.613	-387	
	<b>461.922</b>	<b>-256</b>	

NOTES

		<b>Note</b>	
<b>Intangible assets</b>		<b>6</b>	
	Development projects completed	Intangible fixed assets acquired	
		Development projects in progress and prepayments	
Cost at 1 January 2022.....	3.992.676	839.431	250.052
Transfer.....	161.145	0	-161.145
Additions.....	357.520	0	323.686
Disposals.....	-30.251	0	0
<b>Cost at 31 December 2022.....</b>	<b>4.481.090</b>	<b>839.431</b>	<b>412.593</b>
Amortisation at 1 January 2022.....	1.546.853	779.530	0
Reversal of amortisation of assets disposed of ..	-30.251	0	0
Amortisation for the year.....	548.501	19.967	0
<b>Amortisation at 31 December 2022.....</b>	<b>2.065.103</b>	<b>799.497</b>	<b>0</b>
<b>Carrying amount at 31 December 2022.....</b>	<b>2.415.987</b>	<b>39.934</b>	<b>412.593</b>

The company has capitalized development projects, which per 31st of December 2022 have a book value of EUR ('000) 2.416.

The company has developed 10 products, each of which is specially developed to provide the best form for lighting within, among other things, lighting of architecture and entertainment etc. Management has high expectations for the use of the products and has not found any indication of impairment in relation to the carrying amount.

Development projects in progress include the development and testing of new lighting systems. The costs essentially consist of internal costs in the form of direct salaries as well as purchased material. The carrying amount is per 31st of December 2022 a total of EUR ('000) 413. The system is expected to be completed during 2023-2024, after which marketing and sales can begin. Development projects in progress counts 5 development projects.

<b>Property, plant and equipment</b>		<b>7</b>
	Other plant, machinery tools and equipment	Leasehold improvements
Cost at 1 January 2022.....	2.528.560	172.555
Additions.....	21.688	14.836
Disposals.....	-46.042	0
<b>Cost at 31 December 2022.....</b>	<b>2.504.206</b>	<b>187.391</b>
Depreciation and impairment losses at 1 January 2022.....	1.977.498	126.381
Reversal of depreciation of assets disposed of.....	-46.042	0
Depreciation for the year.....	237.021	18.556
<b>Depreciation and impairment losses at 31 December 2022....</b>	<b>2.168.477</b>	<b>144.937</b>
<b>Carrying amount at 31 December 2022.....</b>	<b>335.729</b>	<b>42.454</b>
Finance lease assets.....	103.715	

NOTES

Note

**Financial non-current assets**

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	Equity investments in group enterprises	Equity investments in associated enterprises	Rent deposit and other receivables
Cost at 1 January 2022.....	313.172	27.085	163.246
Additions.....	33.361	0	13.389
Disposals.....	-64	0	0
<b>Cost at 31 December 2022.....</b>	<b>346.469</b>	<b>27.085</b>	<b>176.635</b>
Revaluation at 1 January 2022.....	-313.172	501.721	0
Exchange adjustment.....	13.030	1.361	0
Dividend.....	0	-130.051	0
Profit/loss for the year.....	-469.475	17.718	0
Other adjustments.....	423.148	58.066	0
<b>Revaluation at 31 December 2022.....</b>	<b>-346.469</b>	<b>448.815</b>	<b>0</b>
<b>Carrying amount at 31 December 2022.....</b>	<b>0</b>	<b>475.900</b>	<b>176.635</b>

**Investments in subsidiaries**

Name and domicil	Ownership
SGM Italy Srl., Italy.....	100 %
SGM Lighting Inc., USA.....	100 %

**Investments in associates**

Name and domicil	Ownership
SGM Deutschland GmbH, Germany.....	26 %
SGM Japan Co. Ltd., Japan.....	33 %

**Deferred tax assets**

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The provision for deferred tax is related to differences between the carrying amount and tax value of intangible and tangible fixed assets, including recognised finance lease contracts, prepayments and taxable loss.

	2022 EUR	2021 EUR '000
Deferred tax, beginning of year.....	316.059	432
Deferred tax of the year, income statement.....	-345.613	106
Adjustment regarding tax credit scheme.....	115.682	-222
<b>Provision for deferred tax 31 December 2022.....</b>	<b>86.128</b>	<b>316</b>



## NOTES

### Note

The Company's deferred tax assets are recognised in the Balance Sheet at EUR ('000) 86. The tax asset relates primarily to unutilised tax losses. The tax asset is recognised on the basis of the expectations to the positive tax profits for the next 3-5 years, and the tax losses are then expected to be fully utilised. The assessments are based on the Management's expectations.

### Prepayments

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Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions etc.

	2022 EUR	2021 EUR '000
<b>Receivables falling due after more than one year</b>		
Deferred tax assets.....	0	173
	0	173

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### Share capital

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Allocation of share capital:

	2022 EUR	2021 EUR '000
Shares, 2.000.000 unit in the denomination of 1 EUR.....	2.000.000	2.000
	<b>2.000.000</b>	<b>2.000</b>

### Other provisions

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2-5 years..... 335.140 351  
The Company provides warranties of 2-5 years on its products and is therefore obliged to repair or replace goods with defects. Based on previous experience in respect of the level of repairs and returns, other provisions of EUR ('000) 335 (2021: EUR ('000) 351) have been recognised for expected warranty claims.

### Long-term liabilities

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	31/12 2022 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2021 total liabilities
Subordinate loan capital.....	2.000.000	0	2.000.000	2.000.000
Lease liabilities.....	94.539	35.141	0	149.730
Payables to group enterprises.....	1.900.000	0	0	1.900.000
Other non-current liabilities.....	0	0	0	179.442
Frozen holiday pay.....	544.490	0	519.624	531.700
	<b>4.539.029</b>	<b>35.141</b>	<b>2.519.624</b>	<b>4.760.872</b>

For subordinated loan capital, the lender has issued a declaration of resignation to the other creditors in the company.

**NOTES**

	<b>Note</b>
<b>Contingencies etc.</b>	<b>15</b>
<b>Contingent liabilities</b>	
The Company has entered into a factoring agreement with the group enterprise SGM Finance ApS. Under the agreement, all significant debtor risks, including commercial risks and credit risks are transferred to SGM Light A/S in case of claims and outstanding payments.	
The Company has engaged in a rent obligation, which is non-terminability for the next 3 years. The total rent obligation in the non-terminability period amounts to EUR ('000) 1,114.	
<b>Joint liabilities</b>	
The Company is jointly and severally liable together with the Parent Company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.	
Tax payable on the Group's joint taxable income is stated in the annual report of P.L.I. Professional Lighting International ApS, which serves as management Company for the joint taxation.	
<b>Charges and securities</b>	<b>16</b>
As security for bank debt, a corporate mortgage of EUR ('000) 471 has been issued, in the company's trade receivables, other fixtures and fittings, tools and equipment, inventories and intellectual property right. The value of these assets as of 31st of December 2022 constitutes EUR ('000) 11,222.	
<b>Related parties</b>	<b>17</b>
The Company's related parties include:	
<b>Controlling interest</b>	
P.L.I Professional Lighting International ApS, Sommervej 23, DK-8210 Aarhus V, is the principal shareholder.	
<b>Transactions with related parties</b>	
The Company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.	
<b>Consolidated Financial Statements</b>	<b>18</b>
The Company is included in the consolidated financial statements of P.L.I Professional Lighting International ApS, Sommervej 23, DK-8210 Aarhus V, CVR no. 37 20 77 64	

## ACCOUNTING POLICIES

The Annual Report of SGM Light A/S for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-size enterprises.

The Annual Report is prepared consistently with the accounting principles applied last year.

The Annual Report are presented in EUR.

### Consolidated Financial Statements

Consolidated Financial Statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The Company is included in the consolidated Financial Statements of P.L.I Professional Lighting International ApS, Sommervej 23, DK-8210 Aarhus V, CVR no. 37 20 77 64

## INCOME STATEMENT

### Net revenue

Net revenue from the sale of finished goods and accessories is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

### Production costs

Production costs comprise the costs of manufacture and procurement paid to achieve the net revenue for the year, including costs of raw materials and consumables, wages and salaries, energy, maintenance, leasing and depreciation of production plant, and adjusted for changes in inventory of finished goods and work in progress.

Amortisation of capitalised development and research costs and the development costs that do not fulfil the criteria for capitalisation are also recognised in production costs.

### Distribution costs

The costs paid for the distribution of goods sold during the year and for sales campaigns, etc. carried out during the year are recognised in distribution costs. The cost of sales personnel, advertising and exhibition costs and amortisation of distribution and sales related assets are also recognised in distribution costs. Common losses on bad debts are also recognised.

### Administrative expenses

Administrative expenses recognise costs incurred during the year regarding management and administration, inclusive of costs relating to the administrative staff, Executives, office premises, office expenses, etc., and related amortisation.

### Other operating income

Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

### Other operating expenses

Other operating expenses include items of a secondary nature in relation to the Group's and the Company's activities. Losses from sale of intangible and tangible fixed assets are also included.

**ACCOUNTING POLICIES**

**Income from investments in subsidiaries and associates**

The proportional share of the results of subsidiaries and associates, stated according to the Parent Company’s accounting policies and with full elimination of unrealised intercompany profits/losses and deduction of amortisation of added value and goodwill resulting from purchase price allocation at the date of acquisition, is recognised in the Parent Company’s Income Statement.

In connection with transfers, potential profits are recognised when the economic rights related to the sold subsidiaries and associates are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.

**Financial income and expenses**

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

**Tax**

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

**BALANCE SHEET**

**Intangible fixed assets**

Patents and licences are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period and licences are amortised over the period of the agreement.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition. On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation is usually 5-8 years.

The total net revaluation of development projects is transferred upon distribution of profit to “Reserve for development costs“. The reserve is reduced with the applicable tax rate.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

**Tangible fixed assets**

Leasehold improvements, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment.....	2-5 years	0 %
Leasehold improvements.....	2-5 years	0 %

## ACCOUNTING POLICIES

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

### **Lease contracts**

Lease contracts relating to tangible fixed assets for which the Company bears all material risks and benefits attached to the ownership (finance lease, see IAS 17) are recognised as assets in the Balance Sheet. The assets are at the initial recognition measured at the lower of cost stated at fair value and the and present value of the future lease payments. The internal interest rate of the lease contract, or alternatively the Company's loan interest, is used as discounting factor when calculating the present value. Finance lease assets are hereafter treated as the Group's and the Company's other similar tangible fixed assets.

The capitalised residual lease liability is recognised in the Balance Sheet as a liability and the interest portion of the lease payment is recognised in the Income Statement over the contract period.

### **Financial non-current assets**

Investments in Equity interests in subsidiaries and associates are measured in the Parent Company Balance Sheet under the equity method, which is regarded as a method of measuring/consolidation.

Equity investments in subsidiaries and associates are measured in the Balance Sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the Parent Company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill calculated according to the acquisition method. Negative goodwill is recognised in the Income Statement when the equity interest is acquired. Where the negative goodwill is related to acquired contingent liabilities, the negative goodwill will be recognised as income when the contingent liabilities have been settled or cease.

The combination method is applied when acquiring enterprises within the Group, where the combination is regarded as completed at the date of acquisition, and by using the carrying amounts of the assets and liabilities acquired.

Net revaluation of equity interests in subsidiaries and associates is transferred under equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries and associates with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the Company has a legal or actual liability to cover the subsidiaries and associates deficit.

Other receivables are measured at amortised cost which usually corresponds to the nominal amount. The amount is written down to meet expected losses.

## ACCOUNTING POLICIES

### Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value,, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

### Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable amount is lower than cost, the inventories are written down to the lower amount.

The cost of raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct payroll cost and other direct and other indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, the cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at the expected sales price less direct completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price of the inventories.

### Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

### Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

### Other provisions for liabilities

Other provisions for liabilities include the expected cost of warranty commitments, loss on work in progress, restructurings etc. and deferred tax.

Warranty commitments include liabilities for improvement of work within the warranty period of 2 to 5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

When it is likely that the total costs will exceed the total income on the contract work in progress, a provision is made for the total loss that is anticipated on the contract.

## ACCOUNTING POLICIES

### Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish Group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

### Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.

### Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the Income Statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the Balance Sheet date are translated at the exchange rate on the Balance Sheet date. The difference between the exchange rate on the Balance Sheet date and the exchange rate at the date when the receivables or payables come into existence recognised in the Income Statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

The Income Statements of foreign subsidiaries and associates fulfilling the conditions for being independent entities are translated at an average exchange rate for the month and the Balance Sheet items are translated at the rate of exchange on the Balance Sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the Balance Sheet date and from translation of Income Statements from average rate to the rates of the Balance Sheet date are recognised directly in the equity.

Exchange adjustment of intercompany accounts with foreign subsidiaries that are deemed to be an addition to or deduction from the equity of independent subsidiaries are recognised directly in the equity.

## ACCOUNTING POLICIES

### CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group.